January 27, 2014

H. E. Helio Silva Almeida
Minister of Planning and Finance
Ministry of Planning and Finance
Caixa postal 168
São Tomé
São Tomé and Príncipe

Re: MDTF EITI Grant No.TF015551
Democratic Republic of São Tomé and Príncipe: Support to the Implementation of the Extractive Industries Transparency Initiative Project

Excellency:

In response to the request for financial assistance made on behalf of the Democratic Republic of São Tomé and Príncipe ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by Australia, Belgium, Canada, Denmark, the European Union, represented by the European Commission, Finland, France, Germany, Japan, the Netherlands, Norway, Spain, Switzerland, the United Kingdom and the United States ("Donors") under the Multi Donor Trust Fund for the Extractive Industries Transparency Initiative ("EITI") Implementation Support Facility, proposes to extend to the Recipient a grant in an amount not to exceed two hundred eighty five thousand United States Dollars (US$285,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and return it to the
World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the notice of effectiveness from the World Bank to the Recipient, confirming in accordance with the provisions of Section 4.02 of the Annex to this Agreement that the World Bank has accepted the supporting document provided by the Recipient to the World Bank to establish that the condition of effectiveness listed in Section 4.01 of the Annex to this Agreement has been satisfied.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Julio E. Revilla
Acting Country Director for São Tomé and Príncipe
Africa Region

AGREED:
DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

By: [Signature]
Authorised Representative

Name: HÉLIO SILVA ALMEIDA

Title: MINISTER OF PLANNING AND FINANCE

Date: 2014/02/17

Enclosures:

2. Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
5. Guidelines on “Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following additional terms shall have the following meanings:

(a) "AFAP" and "Project Implementing Entity" each means the *Agência Fiduciária de Administração do Projecto* established within the Recipient’s ministry responsible for planning and finance to be in charge of Project implementation.

(b) "CSOs" means civil society organizations.

(c) "Extractive Industries Transparency Initiative" and "EITI" each means the standard adopted by the Association for the Extractive Industries Transparency Initiative, an association established by Articles of Association adopted February 16, 2009, as the same may be amended from time to time.

(d) "EITI Criteria" means the criteria established by EITI and referred to in the Grant Agreement for TF071337, dated September 16, 2009, as amended from time to time by the parties thereto.

(e) "EITI National Committee" means the committee established by the Recipient through Government Circular (*Despacho* No. 08 / 2012) to prepare and manage the EITI process in the Recipient’s territory and comprised representatives of the Recipient, the petroleum industry and civil society.

(f) "EITI Secretariat" means the Recipient’s EITI secretariat established by the Recipient through a Prime Ministerial Ordinance (*Despacho* 34/2011) on December 30, 2011.

(g) "JDA" and "Joint Development Authority" each means the committee created on February 21, 2001, pursuant to the Nigeria-São Tomé and Príncipe Joint Development Zone Treaty, with headquarters in Abuja, Republic of Nigeria.

(h) "JDZ" and "Joint Development Zone" each means the area of overlapping maritime boundary claims between the two countries located in the Gulf of Guinea.

(i) "JDZ Tripartite Sub-Committee" means the sub-committee created on December 12, 2009 to be responsible for the implementation of EITI in the JDZ, comprising of official representatives and representatives of the civil society from each country, a representative of the JDA and a representative from the oil industry operators of the JDZ.
(j) "Operating Costs" means reasonable operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient's civil service.

(k) "Training" means the reasonable cost of: (i) training materials and rental of training facilities and equipment; (ii) tuition fees, travel, accommodation and per diem of trainers and trainees; and (iii) any other expenses related to training to be carried out under the Project.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support the Recipient in implementing the activities and processes for a successful validation of the Recipient’s Extractive Industries Transparencies Initiatives (“EITI”) in line with the EITI Criteria. The Project consists of the following parts:

Part A. Reconciliation of Oil Company Payments and the Recipient’s Revenue Receipts

Carrying out a program of activities aimed to reconcile oil company payments and the Recipient’s revenue receipts, including: (i) preparation of a work plan and templates for EITI data reporting; (ii) recruitment of an audit firm to reconcile oil company payments and the Recipient’s income; and (iii) preparation of the Recipient’s EITI report.

Part B. Capacity Building and Training

Carrying out capacity building activities, including: (i) training for key stakeholders to increase their understanding of the EITI procedures and processes; (ii) training and workshops, round tables and forum activities for government officials and representatives of oil companies; (iii) training related to EITI data reporting for the JDA, the Recipient’s agencies and representatives of oil companies responsible for reporting information on oil payments and receipts; and (iv) carrying out of meetings with other EITI implementing countries in the region.

Part C. Raising Awareness and Communication

Carrying out a program of activities aimed at raising awareness, including: (i) the design and implementation of an EITI outreach strategy; (ii) workshops and meetings by the EITI International Secretariat to facilitate stakeholders’ engagement in the EITI process; (iii) the setting-up of an EITI webpage; (iv) the publication and dissemination of EITI reports and related materials in Portuguese through the Recipient’s websites, newspaper articles, press conferences, TV shows and radio spots; (v) CSOs outreach activities in the rural areas of the Recipient’s territory including the Príncipe island.

Part D. Operational/Financial Support

Provision of support to the EITI Secretariat through: (i) operational support including recruitment of a Permanent Secretary, purchase of office equipment and communication; and (ii) financial support
to civil society members of the EITI National Committee living abroad and to the travel costs of the DJZ Tripartite Sub-Committees members participating in the preparation of the JDZ-EITI report.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by AFAP ("Project Implementing Entity") in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); (c) this Article II; and (d) the Subsidiary Agreement.

2.03. **Institutional and Other Arrangements.** Without limitations upon the provisions of Section 2.02 above:

**General**

(a) The Recipient shall ensure that AFAP is maintained, until completion of the Project, with staffing, resources and mandate satisfactory to the World Bank.

(b) The Recipient shall ensure that the proceeds of the Grant are not used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import, to the Recipient’s knowledge or belief, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.

**Subsidiary Agreement**

(c) The Recipient shall make the proceeds of the Grant available to the Project Implementing Entity on a grant basis under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank ("Subsidiary Agreement"), including the following: the Project Implementing Entity shall: (i) carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, in accordance with the provisions of the Anti-Corruption Guidelines; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods and services to be financed out of the Grant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Project and the achievement of its objectives; (v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; and (B) at the World Bank’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (vi) enable the Recipient and the World Bank to inspect the Project, its operation and any relevant records and documents; and (vii) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.
(d) The Recipient shall obtain rights adequate to protect its interests and those of the World Bank and shall perform its obligations and exercise said rights under the Subsidiary Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**Safeguards-Compliant Terms of Reference**

(e) The Recipient shall pay due attention to and ensure that all terms of reference for any training, technical assistance or studies carried out under the Project are consistent with the World Bank’s environmental and social safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects.

**Training Programs**

(f) The Recipient shall, prior to conducting any training or workshop under the Project, furnish to the World Bank for its review, the following information relating to such training or workshop: (i) the objective and content of the training or workshop envisaged; (ii) the selection method of institutions or individuals conducting such training or workshop, and said institutions if already known; (iii) the expected duration and an estimate of the cost of said training or workshop; and (iv) the personnel selected to attend the training or the workshop.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors’ to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later one (1) month after the end of the period covered by such report.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. *Procurement*

(a) **General.** All goods and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, Operating Costs and Training</td>
<td>285,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT** | 285,000 | |

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.

**Article IV**

**Effectiveness; Termination**

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Subsidiary Agreement referred to in Section
2.03(c) of this Annex has been executed on behalf of the Recipient and the Project Implementing Entity and is legally binding upon each such party in accordance with its terms.

4.02. Except as the Recipient and the World Bank shall otherwise agree, the date on which this Agreement shall enter into effect shall be the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 of this Annex (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister responsible for finance.

5.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Planning and Finance
Largo das Alfandegas
Caixa Postal 168
São Tomé,
República Democrática de São Tomé e Príncipe

Facsimile:

+239-2222182

5.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391